

November 7, 1989

TO: Mr. C. S. Barlow
Mr. L. S. Briney
Mr. S. D. Glazer
Ms. J. A. Rothman
Dr. C. H. Sederholm
Mr. P. Swigert

For your information.

J. H. Beall

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November 3, 1989

File

MEMORANDUM TO:

Mr. J. H. Beall
Mr. R. C. Glatzer
Mr. H. Heilbrunn
Mr. G. P. Mueller
Mr. H. C. Perce
Mr. G. M. Perry
Mr. J. M. Pugliese
Mr. R. M. Shapiro
Mr. H. E. Smith
Mr. D. J. Waks

Here's the speech Ted gave on Wednesday in Chicago. It followed the demos we gave at the VIP luncheon hosted by Ed Brennan. The speech was written by Steve Hein with additional input from Brian Ek. Additional copies are available.



G. E. Moore

GEM:af
Attachment

cc: Mr. B. R. Ek
Mr. S. D. Hein
Mr. T. C. Papes, Jr.

THE PRODIGY SERVICE AND SOCIAL CHANGE

**REMARKS OF THEODORE C. PAPES, JR.
PRESIDENT, PRODIGY SERVICES COMPANY**

MID-AMERICA CLUB

CHICAGO

NOVEMBER 1, 1989

We're honored that so many of Chicago's leaders have joined us today. Thank you all for coming. I want to take a few minutes to talk about the PRODIGY[®] service. Not to tell you what it is – you've seen that already. But to discuss what it means.

The PRODIGY service was developed in response to some difficult issues facing American business. How are you going to market your products in the 1990s? Where will your workers – your salespeople, clerks, and back-office staff – come from? Can you meet the service needs of the growing numbers of elderly people?

Some of you may find you can't fill your labor needs. The median age of the U.S. worker is now 35. By the year 2000, it will be close to 40. Of today's high-school graduates, 70 percent can't compose a simple letter. Sixty percent can't add up a restaurant check.

I don't have to tell this audience about job candidates who can't fill out an application form correctly.

A recent Hudson Institute study for the U.S. Labor Department cited the growing mismatch between the rising skill levels that service jobs require and the educational achievement of the average worker. For those of us in business, it's a severe problem.

The PRODIGY service can be part of the solution. This remarkable innovation offers a new way for businesses to market, sell and distribute products and services.

For consumers, it's the next wave in convenient appliances, following the path forged by microwave ovens and VCRs.

★ ★ ★

PRODIGY is also a new way to communicate. And throughout history, new ways to communicate have changed our lives . . . although not everyone has had the vision to realize that fact.

Consider Benjamin Franklin's prospective mother-in-law. She hesitated to let her daughter marry a printer. There were already two print shops in America, and she doubted the country could support a third.

But as communications evolved since Franklin's day, each new medium -- from mass newspapers to radio to television to cable -- altered our lifestyles. We think the PRODIGY service will have a similar effect.

For example, let me tell you how PRODIGY members communicated after last month's California earthquake.

Less than two hours after the quake hit, Prodigy set up a special bulletin board. It enabled our members around the country to communicate with and find out how friends and relatives in the Bay Area were doing. Over the next two days, more than 2,000 messages were posted publicly . . . and hundreds more sent privately.

An instant community of concern was created. People shared experiences and helped each other.

With long-distance lines clogged, our network was the only way some could communicate.

A woman in Santa Cruz, desperate to reach her son in Kansas, asked Prodigy members for help. She got that help from a member outside the stricken area. He saw the message and called the woman's son, assuring him that his mother was safe.

That kind of dramatic scenario was played over and over and received a great deal of media attention. But new products like this have more subtle, perhaps mundane effects as well.

Take the microwave oven, introduced in the 1960s. Last year, American consumers bought 12 million of them, making it the best-selling appliance. This simple device has revolutionized food preparation, packaging -- even the eating habits and lifestyles of busy people.

Automatic teller machines have changed the way we bank.
How many of us still line up at a teller's window to get cash?

Another three-letter convenience is the VCR. In 1983, ten percent of U.S. homes had them. Today, more than 70 percent do. VCRs have changed people's habits, giving us time-shifting, cocooning, and Saturday-night movies at home.

* * *

The computer has long been cited as the invention that will usher in a golden Age of Information. And clearly we've come a long way since the UNIVAC. But until now, most of the change has been seen in business.

So far, the PC has been of relatively little direct benefit to everyday folks at home.

We see the PRODIGY service beginning to change that. Because it brings all those long-promised advantages – convenience, service and friendliness – into the home.

PRODIGY combines the visual appeal of television, the communications of the telephone, the storage capacity and logic of the computer, the shopping opportunities of direct mail and much of a newspaper's information. All in an affordable, easy-to-use service.

It can also perform many functions of a bank, a stock broker, a travel agent and the neighborhood grocer. The range of goods and services that can be distributed over such a system is practically limitless. As an advertising vehicle, its targeting, demographics and tracking ability are unparalleled.

* * *

Five years ago, when Prodigy was formed, I would make those claims in a whisper. There were many doubters.

Significantly, we didn't just dive in with a new technology and then go see if there was a market for it.

We spent a lot of time conducting market research. We let the public tell us what sort of service they wanted. Then, we developed a service easy enough for anyone to use . . . useful enough for everyone to want . . . and affordable enough for any budget.

Late last year, we began marketing PRODIGY in a handful of markets. In just over a year, membership has grown to more than 120,000 households with more than 185,000 individual members . . . and we're on track toward our goal of being in millions of American homes. Recently we expanded the service to add Apple Macintosh computers along with the original IBM and compatible PCs.

None of this would have been possible without the strong support of our partners -- Sears and IBM. These two companies are the best partners anyone could wish for.

Both IBM and the Sears family of companies are using the service as an advertising and marketing tool. They're among more than 200 companies doing so . . . companies like Ford, American Express, Kodak, Disney, Dow Jones, Apple Computer, the U.S. Postal Service, Air France and Sony.

A few years ago, we were asking companies just to try marketing on PRODIGY as a research project to study our potential. Today, we believe that PRODIGY can be a viable part of any company's marketing and advertising mix. It's an important new medium that has arrived at the perfect time.

Look at the trends in other media:

The number of major newspapers in the United States is declining each year.

Network television is under pressure. Audiences have been moving away. And -- to save dollars -- many advertisers are moving too. Those who stay are cluttering up the airwaves with a torrent of 15-second spots.

As for magazines, here's a headline from last Wednesday's Wall Street Journal. Quote: "Big Advertisers Criticize Magazines for Clutter, Lack of Reader Data." Unquote.

Other media, like direct mail and telemarketing, are also under siege. A recent Roper report said that consumers are tossing out sales letters and hanging up on a deluge of sales calls.

Let me tell you why PRODIGY is different -- why it's an advertising medium unlike any other. For one, we offer the best type of customer.

That's because our members select advertising messages on PRODIGY only when they want to see them. The member chooses an ad at her discretion and remains with it as long as she likes.

Her fingers are on the keyboard. Her eyes are on the screen. There's no clutter. There's no distraction. Action -- whether buying a product or generating a lead or getting information -- is at the end of a fingertip. And many of those are affluent fingertips.

Seventy-five percent of our first-year member households have two earners. Median Prodigy family income is \$68,000. Ninety-three percent are college educated. Fifty-two percent have children.

Prodigy can target audiences precisely. An ad can be sent only to specific groups broken out by many criteria. For example, women between 25 and 40 in Chicago who bought an airline ticket on the service in the last 90 days.

We track and report the aggregate demographics of the consumer groups who've seen ads -- how many screens they looked at; what action they took. Ad strategies can be modified accordingly.

An advertiser on the PRODIGY service knows how successful he is, and pays only for that success, because most of our charges are for measured responses. For marketers, Prodigy is like owning a store, but having to pay the rent, heat and electricity only when a paying customer actually walks in.

Traditional media measure cost-per-thousand based on estimates of opportunities to see advertising. PRODIGY charges based on actual advertising exposures. BIG difference! That's why we call PRODIGY a no-risk medium.

Advertisers tell us their cost per lead using PRODIGY is a fraction of the cost in other media.

Consumers buy on PRODIGY because we offer the convenience of shopping, day or night. We offer ease of use, and hundreds of thousands of products for sale online and through many of the top catalogs selling on the service.

Of course, PRODIGY isn't just advertising. There are more than 700 editorial features, with offerings that appeal to every age group and interest.

We believe that PRODIGY is unique . . . that it represents a significant new trend in our society. The Wall Street Journal seemed to agree when it recently chose 66 "companies for the 1990s." Prodigy was the only company of its kind selected. The editors called us "a corporate star of the future."

I don't want to disagree with the Journal, but in point of fact, we see Prodigy as a company leading today, influencing behavior today, not just in the future. Today, there are more than eight million U.S. households with personal computers that can receive the service. That number is growing by more than 25 percent a year.

The 1990s offer exciting new possibilities for Prodigy . . . and for business. Perhaps your business.

That's because the PRODIGY service is:

A new and efficient way to extend the national reach of advertising;

A new distribution medium;

A new place where many of your customers will prefer to shop;

A new way to improve customer service and establish true relationship marketing;

And, perhaps most significantly, it's a way to improve return on investment by reducing spending on bricks and mortar, promotional printing and inventory.

*** * ***

I'm proud to speak for Prodigy today, but if you haven't already done so, I hope you'll give the PRODIGY service a chance to speak for itself. Once you try it, I think you'll understand why we're so excited about this new medium.

After you've used it, I believe you will be excited too . . . that you'll want to have it in your home and you'll want your entire family to enjoy it's benefits.

Thank you very much.

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